

State of California  
BOARD OF EQUALIZATION

**SALES AND USE TAX REGULATIONS**

**Regulation 1502.1. WORD PROCESSING.**

*Reference:* Sections 6006, 6010, 6011, 6012, 6015, 6016, Revenue and Taxation Code.

**(a) GENERAL.** Tax does not apply to charges for furnishing original letters or documents, or carbon copies produced simultaneously with the original, prepared by using a typewriter or word processing equipment. Where the word processing company provides only an original letter or document, or carbon copies produced simultaneously with the original, the true object of the contract is the performance of a service and not the furnishing of tangible personal property. The word processing company is the consumer of tangible personal property used in providing the service.

Tax applies to charges for producing multiple copies of letters, manuscripts, or other documents using word processing equipment. Multiple copies include form letters produced with a slight variation which personalizes essentially the same letter. Tax applies to the entire charge without deduction for charges for setting up the machine, keyboarding, or assembling the material. Charges for providing additional copies are subject to tax regardless of whether the original was prepared using a typewriter or word processing equipment and regardless of whether the copies are produced by computers, word processors, copying machines, or other methods.

Tax does not apply to charges made by a word processing company for keyboarding original names and addresses, setting up and sorting, and for printing the names and addresses onto mailing labels. (See Regulation 1504 for an explanation of how tax applies to mailing services).

Tax does not apply to charges made when a word processor is used to produce copy which is acquired and used exclusively for reproduction purposes since Revenue and Taxation Code section 6010.3 excludes typography from the definition of sale or purchase.

**(b) EXAMPLES OF THE APPLICATION OF TAX UNDER SPECIFIC CIRCUMSTANCES.**

(1) Preparation of Standard Letters and Envelopes For Mailing. A word processing operator keyboards and records an address list and standard letter on magnetic media. The letter is then automatically typed to each person on the address list. The prerecorded address list is then used to address envelopes inserted into the machine. The charges made for setting up the machine, keyboarding the material and typing out the letters are taxable. The charges made for addressing the envelopes are nontaxable if separately stated (See Regulation 1504).

(2) Manuscripts. An author brings a manuscript to a word processing company. The operator keyboards the material and records it on magnetic media. A draft copy of each page of the recorded material is printed out (typed automatically) and given to the author to proof-read. The author makes corrections and changes on the draft and returns it to the operator. The operator makes the necessary changes using a word processor. A final copy is then printed out for the author to submit to a publisher. The charges made for the original keyboarding of the manuscript, printing out the draft copy, editing, and printing out a final copy are nontaxable. Tax does not apply to charges for carbon copies prepared at the same time as the original copy; however charges for photocopies are taxable.

(3) Assembling Final Product From a Paragraph Library. An attorney brings several paragraphs to a word processing company which uses word processing equipment to keyboard and record the paragraphs on magnetic media to form a "paragraph library." The attorney then notifies the company to select certain stock paragraphs, for example paragraphs 1, 8, 11, 29, 16, 12, 87, 100, 56, and 57 in that order, to create a will for his client. The attorney provides variable information to be inserted into proper position in the paragraphs, such as: make of the will, maker's spouse, maker's children and their date of birth, city and county of residence. The operator instructs the machine (with keyboard commands) to assemble those specified paragraphs with the necessary variable client information and to print out (automatically type) a will. All of the charges made for keyboarding original paragraphs, printing out a draft of all paragraphs for the attorney's use, assembling the paragraphs as requested, and printing out individual wills (and any carbon copies of the original) are nontaxable. Charges for photocopies are taxable.

**Regulation 1502.1. WORD PROCESSING.** (Continued)

(4) Addressing Mailing Labels. A client has a list of 2,000 names that he is going to use monthly for a mailing. Every month the list has to be sorted into zip code sequence, typed on labels to be applied to envelopes which are then mailed. The word processing company keyboards the names and addresses and records them on magnetic media. The machine is instructed (using keyboard commands) to sort the names into correct zip code sequence before the list is finally stored on the magnetic media. Each month the equipment is set up and, with an operator in attendance (giving keyboard commands), the names are printed (automatically typed) onto continuous form labels. The charges made by the word processing company for keyboarding original names and addresses, for setting up and sorting, and for the monthly setting up and printing of names onto labels are all nontaxable charges for addressing.

*History:* Adopted May 9, 1985, effective June 8, 1985.

*Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.*